

INSURANCE LAW & REGULATION IN VIETNAM

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GLOSSARY

AEC	ASEAN Economic Community
ASEAN	Association of Southeast Asian Nations
BaoViet	Vietnam Insurance Corporation
BTA	US - Vietnam Bilateral Trade Agreement
Business License	Establishment and Operation License
CFA	Chartered Financial Analyst
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
EU	European Union
EVFTA	European Union-Vietnam Free Trade Agreement
EVIPA	European Union-Vietnam Investment Protection Agreement
IAV	Insurance Association of Vietnam
LLC	Limited Liability Company
LOIB	Law on Insurance Business
MOF	Ministry of Finance
RO	Representative office
TPP	Trans-Pacific Partnership Agreement
WTO	World Trade Organization

I. Introduction¹

A. In general

Vietnam continues to make economic progress. It is a solid middle income country. At the same time, the middle class is expanding. World Trade Organization (“WTO”) membership, the ratification of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“CPTPP”), The European Union (“EU”)-Vietnam Free Trade Agreement (“EVFTA”), Investment Protection Agreement (“EVIPA”) and several other significant free trade agreements, and membership in the ASEAN Economic Community (“AEC”) have given Vietnam access to foreign markets and capital, while making Vietnamese companies, particularly Vietnamese insurance enterprises, stronger through increased competition.

Many foreign insurance enterprises (particularly in the life segment) operate in Vietnam and treat Vietnam as a natural extension of their regional or global footprints. New products are being developed. Agency networks are being built. In the non-life segment, local companies have generally shown more pricing discipline than have their counterparts elsewhere in the region. Motor insurance--so often a thankless and profitless line in emerging markets--accounts for about one third of the premiums written in the non-life segment.

Companies are also beginning to provide innovative products tailored to Vietnam. The Ministry of Finance estimates the total posted premiums for 2024 to have been VND 227.5 trillion (US\$ 8.7 billion)². Total value of the insurance sector in 2024 is around VND 1,007 trillion (US\$ 38.4 billion), up by 10.9% compared to 2023. Insurance enterprises invested around VND 850 trillion (US\$ 32.4 billion), up by 13.2% from 2023. This includes investment in government bonds.³

B. History and Relevant Laws

The Vietnamese legal system operates hierarchically. The National Assembly passes laws. The particular ministries then issue Decrees, Ordinances and Circulars to interpret and administer those laws. All of these are relevant in the regulation of the Vietnamese insurance industry.

When Vietnam became unified and operated a planned economy, insurance was not considered a business activity. It was viewed as a means to share risk among state-owned enterprises and to satisfy Vietnam’s insurance obligations in international business transactions. The Vietnam Insurance Corporation (“BaoViet”) monopolized the insurance industry. BaoViet, itself a state-owned enterprise, was formed under the authority of, and is supervised by, the Ministry of Finance (“MOF”). The MOF permitted BaoViet to divest specific lines of insurance products. This was a sign of a shift in the way state-owned enterprises were viewed.

In late 1993, Vietnam began to recognize insurance as a business activity, and therefore subject to business regulation, including competition laws. Early attempts to regulate the

¹ This book has been written by lawyers in the Vietnam offices of Russin & Vecchi and is current as of January 2026.

² US\$ 1 = VND 26,200 (October 2025)

³ Department of the Insurance Supervisory Authority, April 10, 2025

insurance industry created basic rules governing insurance enterprises. Decree No. 100/CP dated December 18, 1993, authorized the formation of insurance enterprises other than state-owned enterprises. The Law 24/2000/QH10 on Insurance Business dated December 9, 2000 (“**Old LOIB**”) replaced early attempts to regulate insurance providers, and developed a comprehensive approach to the insurance business. After 20 years of operation, some parts of the old LOIB were amended and were supplemented by Law 61/2010/QH12 which was adopted by the National Assembly on November 24, 2010 (“**Law 61**”) and subsequently by Law 42/2019/QH14 which was adopted by the National Assembly on June 14, 2019 (“**Law 42**”). On June 16, 2022, the National Assembly adopted a new Law on Insurance Business No. 08/2022/QH15, which became effective on January 1, 2023 (“**LOIB**”). The LOIB supersedes the Old LOIB, Law 61 and Law 42. The Government’s Decree 73/2016/ND-CP which implements the Old LOIB and Law 61, and the MOF’s Circular 50/2017/TT-BTC which implements Decree 73/2016/ND-CP came into effect, and underwent changes when Decree 151/2018/ND-CP⁴, Decree 80/2019/ND-CP⁵, Circular 01/2019/TT-BTC⁶, Circular 89/2020/TT-BTC⁷ and Circular 14/2022/TT-BTC⁸ were promulgated. In July and November 2023, the Government issued Decree 46/2023/ND-CP (“**Decree 46/2023**”) which elaborates the LOIB and the MOF issued Circular 67/2023/TT-BTC (“**Circular 67/2023**”) which provides guidelines for LOIB and Decree 46/2023. These new regulations have replaced the implementing regulations of the Old LOIB.

In addition to the LOIB, the Maritime Law⁹ contains a section that governs marine insurance purchased for marine contracts.¹⁰

Various laws have recognized the importance of maintaining competition in the marketplace and streamlining the role of government in the insurance industry. Moreover, an increased emphasis on promoting competition has resulted in laws that expressly forbid anti-competitive activities. The Commercial Law, passed in June 2005, prohibits inappropriate competitive practices in general.

The Competition Law¹¹, which became effective on July 1, 2019 (“**Competition Law**”), introduced comprehensive legislation which deals with anti-competitive products. It covers anti-competitive practices and practices that may restrain competition, such as agreements in the restraint of trade, abuse of dominant market position, and unfair competitive practices, including coercion, defamation, and deceptive advertising. The Competition Law takes the view that competitive practices may have both positive and negative effects on the market. Therefore, a competitive activity should only be prohibited if it “has or potentially has a significant competition-restraining impact on Vietnam’s market”. Before conducting economic concentration, businesses are obligated to notify the National Competition Commission for

⁴ Government’s Decree 151/2018/ND-CP dated November 7, 2018 on supplements and amendments of the investments and business conditions under the regulatory power of the Ministry of Finance

⁵ Government’s Decree 80/2019/ND-CP dated November 1, 2019 on supplements and amendments of certain articles of Decree 73/2016 and Decree 98/2013.

⁶ Circular 01/2019/TT-BTC of the MOF dated January 2, 2019 on amendments of certain articles of Circular 50/2017

⁷ Circular 89/2020/TT-BTC of the MOF dated November 11, 2020 on amendments of several circulars on insurance

⁸ Circular 14/2022/TT-BTC of the MOF dated February 28, 2022 on amendments of certain articles of Circular 50/2017 and another circular on mandatory civil liability insurance of vehicle owner.

⁹ The Maritime Law No. 95/2015/QH13 adopted by the National Assembly on November 25, 2015

¹⁰ Maritime Law 2015 arts. 303-336.

¹¹ The Competition Law No. 23/2018/QH14 adopted by the National Assembly on June 12, 2018

assessment and approval. The Competition Law also established exemptions from its own regulations. This translates into the insurance sector in two ways. First, the general application of its principles prevents insurers from misrepresenting the coverage terms of policies to potential customers, and requires transparency as a systemic necessity for the industry. Second, practical considerations suggest that while particular aspects of the industry may technically breach competition laws, limited exemptions are provided for activities that provide an advantage to customers. Those activities should satisfy one of the following conditions: (i) promote technical or technological progress, improve the quality of goods and services; (ii) increase the competitiveness of Vietnamese enterprises in the international market; (iii) promote applicability of uniform quality standards and technical norms of certain types of products; (iv) unify conditions on trading, delivery of goods and payment but does not relate to price or pricing factors; and (v) other cooperative arrangements as provided for in industry-specific legislation. As such the Competition Law's rules on co-operation and competition may be modified by the LOIB which addresses both the types of cooperation which are permitted, as well as the specific types of conduct which are prohibited--for example collusion aimed at carving up the insurance market.

Under the LOIB, an insurance agent is not allowed to (i) provide untruthful information nor make false advertising related to insurance terms and policies, (ii) prevent a buyer from providing required information regarding insurance policies, (iii) preclude, entice, bribe or threaten customers or employees of other insurance businesses or (iv) encourage customers to terminate their current insurance policies.¹² The LOIB prohibits an insurance broker from (i) requesting that buyers withhold information or preventing buyers from providing information for insurance policies, (ii) providing illegal services to entice buyers to buy its insurance policies, (iii) enticing buyers to terminate their existing insurance policies for new insurance policies, (iv) recommending insurance policies from one insurer under less competitive terms and conditions than those of another insurer in order to gain higher commission, and (v) providing buyers with false or inappropriate information in relation to the terms and conditions of the insurance policies.¹³

The Law on Health Insurance, dated November 14, 2008 and the amended Law dated November 27, 2024 (effective as of July 1, 2025) are applicable to all individuals and organizations, both domestic and foreign, and govern the eligibility and the scope of insurance coverage, health insurance funding, rights and obligations of insurers and insureds, and provide a road map for universal health insurance. These laws have had a considerable impact on enterprises, which are obligated to provide health insurance coverage for all employees working under indefinite-term labor contracts or labor contacts with a definite term of one month or more, or other types of contracts as long as they mention payment of wage or salary, the management and supervision¹⁴ as well as for managers who receive wages.

C. International Agreements

The U.S.-Vietnam Bilateral Trade Agreement (“BTA”) came into effect in December 2001. Five years later, American insurance enterprises were permitted to establish 100% foreign

¹² LOIB art. 129.3

¹³ LOIB art. 137.3

¹⁴ Law on Amendments to some articles of the Law on Health Insurance Number 51/2024/QH15 adopted by the National Assembly on November 27, 2024

invested enterprises to provide both compulsory and non-compulsory insurance products. In May 2022, the U.S. launched the Indo-Pacific Economic Framework for Prosperity (“**IPEF**”) with 14 partners, including Vietnam. The aim of the IPEF is to offer tangible benefits that fuel economic activity and investment, promote sustainable and inclusive economic growth, and benefit workers and consumers across the region. The details of this framework are subject to negotiation among its members.

Vietnam’s accession to the World Trade Organization in January of 2007 opened the market to all other foreign investors.

Under its WTO Commitments, beginning January 1, 2008, Vietnam began giving equal treatment to both foreign and domestic insurance enterprises. Foreign insurance enterprises may provide insurance services to companies with foreign-invested capital and foreigners working in Vietnam. They may also provide reinsurance, international transport insurance, and insurance brokerage services. Foreign invested insurance enterprises may also deal in compulsory insurance products, such as liability insurance for vehicle owners.

The AEC was officially established on December 31, 2015 and Vietnam is part of the community. The AEC aims to create a single free market in ASEAN. This means that an insurance enterprise in ASEAN would be able to provide insurance services to clients in other ASEAN countries on a cross-border basis; a client in an ASEAN country can freely choose to purchase insurance services from an entity in another ASEAN country; and an insurance expert can work freely in the ASEAN region. Additionally, the Regional Comprehensive Economic Partnership (“**RCEP**”), which came into force on January 1, 2022, expands the basis of the free trade agreements within ASEAN to other countries including Australia, China, Japan, South Korea and New Zealand.

The Trans-Pacific Partnership Agreement (“**TPP**”) was signed on February 4, 2016, in Auckland, New Zealand. After the withdrawal of the US, the TPP was replaced by the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“**CPTPP**”), which was signed on March 8, 2018 in Santiago, Chile. CPTPP and its predecessor, the TPP, are comprehensive agreements, with the aim to create a new potential market for goods and services which in turn will create a great opportunity and also a challenge for insurance enterprises. Vietnam ratified the CPTPP on January 14, 2019. Under the CPTPP, an insurance enterprise in one of the eleven member countries can expand its business to another member country, subject to certain conditions.

The European Union (“**EU**”)-Vietnam Free Trade Agreement (“**EVFTA**”) and Investment Protection Agreement (“**EVIPA**”) were ratified by the National Assembly of Vietnam on June 8, 2020. The EVFTA came into effect on August 1, 2020 and the EVIPA will come into effect when it is approved by the Parliament of each EU member state. The EVFTA looks to foster a transparent and open partnership with a focus on trade liberalization and economic integration. In terms of the insurance market, the EVFTA does not offer any significant advantage in comparison to the WTO. However, insurance enterprises from the EU may take advantage of other aspects of the EVFTA, such as the dispute settlement mechanism and protection of intellectual property rights, which surpass the standards provided by the WTO.

D. Internal and External Supervision

The Government is responsible for providing guidelines to explain and implement the law, and the MOF is responsible for implementing state regulations and supervising insurance activities. The MOF grants and withdraws licenses to establish and operate insurance enterprises.¹⁵

Insurance enterprises must make periodic reports to the MOF. Additional reporting requirements apply if there are unusual developments within the enterprise, which may adversely affect the solvency, reputation of the insurance enterprise, or if the enterprise fails either to meet its financial or other legal requirements.¹⁶ Liquidation of or mergers between insurance enterprises, and changes in the management structure or intended investment overseas require MOF's written approval.¹⁷ The MOF also carries out specialized inspections of insurance enterprises when necessary.¹⁸

The MOF acts both as a government regulator of insurance enterprises, and as an owner of several joint stock companies formed from the equitization of state-owned insurance enterprises. This dual role continues to pose a conflict of interest in terms of administrative enforcement.

In addition to the regulatory role of the MOF, insurance enterprises must also adopt a system of internal supervision and control. The MOF's Circular 195/2014/TT-BTC dated December 17, 2014, as amended by Circular 89/2020/TT-BTC ("Circular 195/2014") provides guidance to evaluate and classify insurance enterprises. Circular 195/2014 replaces the system of supervisory criteria for insurance enterprises that was introduced by Decision 153/2003/QD-BTC dated September 22, 2003. Insurance enterprises are evaluated and classified based on four categories of criteria: (i) Solvency, operation reserves and business efficiency; (ii) Insurance business activities; (iii) Capital, asset and investment quality; and (iv) Business administration and information transparency. Each category of criteria varies among the various forms of life and non-life insurance enterprises. This evaluation and classification system can be used as a consistent and systematic analytical tool by the MOF, as well as for internal supervision by an insurance enterprise to determine its business status and to detect and prevent insolvency. An insurance enterprise must file an evaluation report and the annual financial report with the MOF no later than March 31 of the following fiscal year.

Insurance enterprises create internal control systems to ensure that their operations comply with the law. Records and results of internal audits must be in writing and filed at the enterprise's office. The MOF's Circular 70/2022/TT-BTC and Circular 67/2023 provide further guidance on the financial regimes available to manage internal control, including decentralizing and maintaining internal control activities independent from the executive and professional activities of the enterprise; preserving the objectivity of the internal auditors; and ensuring that the internal auditors comply with the law and be legally responsible for their assigned internal audit duties.¹⁹ Further regulations on tasks and duties, as well as

¹⁵ LOIB art. 72(2).

¹⁶ LOIB art.106.

¹⁷ LOIB art. 136.

¹⁸ LOIB art. 151(2)(dd), art. 154.

¹⁹ Circular 70/2022 art. 15.

responsibilities of internal control and internal audit department of an insurance enterprise are specified under this Circular.

The Insurance Association of Vietnam (“IAV”) was established in 1999 as a professional association. The IAV has a role in oversight, since an enterprise must inform the IAV of any agents with whom the enterprise has terminated its relationship due to legal or professional malfeasance. As the market expands, the IAV may play a greater part in establishing professional and ethical rules, and providing a forum in which market participants can communicate with each other and with the Government.

The procedures and documents necessary to establish an insurance enterprise are provided in Decree 46/2023. Potential shareholders of an insurance enterprise must prepare two sets of application documents, one set of originals and one set of copies, which must include all the documents required by Decree 46/2023. Within 30 days of receipt of the application, the MOF is required to notify the applicant in writing if it needs to supplement the application documents. Within 12 months of notice, if the applicants fail to satisfy the MOF, the MOF will dismiss the application and notify the applicants in writing. If the application is successful, the MOF will issue an Establishment and Operation License (“**Business License**”) within 60 days from the date of receiving the application. If the MOF determines not to issue a Business License, it will provide a written explanation.²⁰

E. Sanctions

Decree 174/2024/ND-CP²¹ dated December 30, 2024 (“**Decree 174/2024**”) lists sanctions for administrative violations by insurance enterprises. They include violation of rules that relate to the establishment and operation of insurance enterprises. Decree 174/2024 includes sanctions on unlawful management and operation of insurance enterprises; unlawful competition, including providing false information or advertising which damages policy holders and competing for customers by interfering with other enterprises or intimidating their employees; and unlawful internal control and internal audit. The fine for violating these rules, with respect to individuals is up to VND100 million (US\$ 4,250), and is up to VND200 million (US\$ 8,500) with respect to an enterprise. The Decree also provides a set of penalties for failing to adhere to financial requirements, such as compulsory reserve requirements, and technical provisions. A decision to sanction an insurance enterprise for administrative violations will expire one year after the date it is issued. Some sanctions depend on the specific administrative violation, such as: (i) restoration to the initial state which has been altered; (ii) suspension of an insurance enterprise’s operation; (iii) termination of employment of persons who directly perform insurance brokerage or insurance agent activities; and (iv) return of illegally obtained money.²²

²⁰ Decree 46/2023 art. 16

²¹ Decree 174/2024/ND-CP replaced Decree 98/2013/ND-CP amended by Government’s Decree 48/2018/ND-CP dated March 21, 2018 and Government’s Decree 80/2019/ND-CP dated November 1, 2019.

²² Decree 174/2024 art. 3

II. Principles of Insurance Law in Vietnam

A. Meaning of Insurance

The LOIB defines insurance as an activity carried out by an insurance enterprise, a branch of a foreign non-life insurance enterprise in Vietnam or a mutual support insurance organization²³, in which the insurer assumes certain defined risks of the insured in return for an insurance premium paid by the insurance buyer to secure the insurer's indemnity to the insured.²⁴ It contemplates payment to a beneficiary of a benefit according to terms of a policy concluded between the enterprise and the buyer upon the occurrence of an agreed-upon insured event.

Insurance-related regulations, including the LOIB, do not specifically define the terms "insurance" or "assumption of risk". Under the LOIB, however, an "insured event" is an objective event defined by the parties or stipulated by law. Upon the occurrence of the insured event, the insurer must pay to the beneficiary or indemnify the insured the contractual sum that represents the value of the insurance policy.²⁵

B. The Insurance policy

1. General

An insurance policy is an agreement reached between the insurance buyer and an insurer under which the insurer agrees to pay the insured amounts to the beneficiary or in which it agrees to indemnify the insured upon the occurrence of an insured event, provided that the insurance buyer maintains the premium payment obligations.²⁶

There are two basic forms of insurance policy: compulsory and non-compulsory. The MOF has legislated form policy terms that enterprises must use for each kind of compulsory insurance, including life insurance and accident insurance.²⁷ Insurers that provide non-compulsory products enjoy more flexibility in the structure and content of their insurance policies. They must nevertheless register their terms and premium tables with the MOF. According to the LOIB, there are six types of insurance policy: life insurance policy, health insurance policy, property insurance policy, damage insurance policy²⁸, liability insurance policy and marine insurance policy.

The LOIB provides that the execution and performance of an insurance policy must comply

²³ A mutual support insurance organization is defined in Article 4.23 of the LOIB to be an entity that has legal capacity, and an independent accounting regime; is founded by members or institutional representatives of members to render non-profit microinsurance products in order for participating members to offer aid or support to other members on the basis of voluntary contribution, financial autonomy and self-responsibility within the scope of the assets generated from such microinsurance product. The members of the organization are both the owners and the insurance buyers, and they enter separate insurance policies with the organization.

²⁴ LOIB art. 4.2.

²⁵ LOIB art. 4.27.

²⁶ LOIB art. 4.16.

²⁷ The detailed requirements for form policy terms used in life and health insurance contracts are specified in Circular 67/2023.

²⁸ A damage insurance policy is defined to cover the economic benefits or contractual obligations or legal obligations which accrue to the insured upon an insured event (typically loss or damages).

with the following principles:²⁹

- Utmost good faith: Parties to an insurance policy must provide information and perform their contractual rights and obligations in an honest manner, and must place the absolute mutual trust in each other during the execution and performance of an insurance policy;
- Insurable interest: An insurance buyer must have an insurable interest, which is appropriate to the type of insurance policy and in accordance with the LOIB;
- Indemnity: The amount of indemnity that the insured can get shall not exceed the actual loss incurred in a insured event, unless otherwise agreed in the insurance policy;
- Subrogation: The insured has the responsibility to give the insurer the right to claim the amount it paid as compensation or indemnification within the limits of liability it may claim from the third party, responsible for the insured loss. This principle does not apply to life and health insurance policies;
- Unpredictable risk: A risk must be unpredictable or unanticipated to be covered by insurance.

Insurance legislation, particularly recent regulations, emphasizes the responsibility of the insurer to create clear policies that buyers can understand. It has also outlined the duties of agents who market these policies to ensure that the consumer understands the terms.³⁰

Insurance policies are mainly regulated by the LOIB, with the exception of marine insurance policies, which are regulated by the Maritime Law. Additionally, civil contracts, including insurance policies are regulated by the Civil Code³¹.

2. The Parties

The LOIB identifies four parties to an insurance policy: the insurer, the insurance buyer, the insured and the beneficiaries.³² However, it attaches contractual obligations to only two of these parties: the insurance buyer and the insurer.³³ The insurer receives premium payments and assumes the obligation to pay to the beneficiary or to indemnify the insured the insured amount upon the occurrence of the insured event. The insurance buyer pays premiums and provides information related to the insured object.

A mutual support insurance organization is only permitted to provide microinsurance products to its members. As such, the participating members of a mutual support insurance organization are both owners of the mutual support insurance organization and the insurance buyers.³⁴

The LOIB defines the “insured” to be an individual or an entity having the assets, civil liabilities, health, life, obligations or economic benefits insured by the insurance policy (“insured subject”). The rights and obligations of the insured are scattered throughout the LOIB. In general, the insured is obligated to prevent damages to the insured subject, disclose

²⁹ LOIB art. 16

³⁰ LOIB art. 20.2(b), art. 22.1.

³¹ The Civil Code No. 91/2015/QH13 adopted by the National Assembly on November 24, 2015

³² LOIB art. 17.1(a).

³³ LOIB art. 20, 21.

³⁴ Chapter III of the Government’s Decree 21/2023/ND-CP on Microinsurance dated May 05, 2023 details regulations on the establishment, organization and operation of a mutual support insurance organization.

information and is entitled to be indemnified or to receive the insurance proceeds or to designate a beneficiary to be indemnified or to receive the insurance proceeds.

3. Principles for the execution and performance of an insurance policy

The execution and performance of an insurance policy must follow the basic principles of the Civil Code³⁵ and the following principles:

- The Principle of Utmost Good Faith: each party to an insurance policy must provide information and perform its rights and obligations in a completely honest manner, with good faith toward the other parties during the course of execution and performance of the insurance policy;
- The Principle of Insurable Interest: the insurance buyer must have an insurable interest which corresponds with the type of insurance policy to be executed;
- The Principle of Indemnity: the indemnity payable must not exceed the value of the actual loss incurred, unless otherwise agreed in the insurance policy;
- The Principle of Subrogation: the insured shall transfer to the insurer the rights to request a third party that caused an insurance loss to the insured to reimburse the insurer within the insurance liability limits. This principle does not apply to life insurance and health insurance.
- The Principle of Unpredictable Risk: The risk covered under an insurance policy must be sudden and cannot be anticipated.

4. Formation and Interpretation

An insurance policy must be made in writing and must include certain information:³⁶

1. The names and addresses of the insurer, the insurance buyer, and the insured or the beneficiary;
2. The subject matter of the insurance policy;
3. The value of the insured property, the sum insured or the limit of liability;
4. The scope of coverage or insurance benefits; applicable principles, terms and conditions;
5. Rights and obligations of the insurer and the insurance buyer;
6. The duration of coverage, effective date of the insurance policy;
7. The premium rates and acceptable payment methods;
8. terms and conditions for payment of the insurance benefits or indemnity ; and
9. The rules for dispute settlement.

If a provision of the insurance policy is open to misinterpretation, the misinterpretation should be resolved to the advantage of the insurance buyer.

An insurance buyer is permitted to assign the policy, subject to the terms of the policy.³⁷ Assignment of an insurance policy by the buyer becomes valid only when a written notice of assignment is given to the insurer, and the enterprise provides written notice of acceptance of the assignment. The LOIB permits an exception when the assignment is undertaken in

³⁵ Civil Code art. 3.

³⁶ LOIB art. 17

³⁷ LOIB art. 28

accordance with international trade practices or with the terms of the policy.³⁸ Life insurance policies can only be assigned with the written approval of the insured or the legal representative of the insured.

5. Void and Voidable

The LOIB states that an insurance policy is deemed to be void if:

- The insurance buyer has no insurable interest upon execution of the insurance policy;
- There is no insured subject matter upon execution of the insurance policy;
- The insurance buyer knows an insured event has occurred before the execution of the insurance policy;
- The purposes and contents of the insurance policy violate the laws or are against social ethics;
- The insurance enterprise or branch of foreign non-life insurance enterprise and the insurance buyer enter into a fraudulent insurance policy;
- The insurance buyer is a minor, a person without full legal capacity, a person with impaired cognitive and behavioral functions, or a person with restricted legal capacity;
- The policy causes one or more parties to fail to achieve the purpose of entering into the policy, the contractual purposes of the contracting parties have been achieved, unless the contracting parties can take immediate action against such confusion to successfully achieve the purposes of entering into the insurance policy;
- The insurance buyer or the insurance enterprise was deceived at the time the parties entered into the contract;
- The insurance policy was executed under threat or pressure;
- The insurance buyer is not aware or cannot control her behavior when entering into the insurance policy;
- The insurance policy is not made in writing.³⁹

A civil contract such as an insurance policy may be declared to be only partially void, in which case the other provisions remain valid. When an insurance policy is declared void, the insurance policy is void from the execution date and the parties must be restored to their original positions.⁴⁰ They must return to each other the assets they have received as a result of the agreement. If they cannot return the assets, they must pay the equivalent cash value.⁴¹ The party at fault is liable to pay compensation.

In addition to the circumstances outlined in the LOIB, while the Civil Code does not explicitly distinguish between a contract that is void and one that is voidable, a civil contract can be declared void by a court or competent government authority if any of the following conditions apply:⁴²

- i. The parties to the contract lack the capacity to take part in civil acts.
- ii. The parties have not acted voluntarily.

³⁸ LOIB art. 26.

³⁹ LOIB art. 25.1.

⁴⁰ LOIB art. 25.2.

⁴¹ Civil Code art. 131.

⁴² Civil Code art. 117-118-119

- iii. There is a deception or mistake relating to one or more of the essential elements of the contract. In a civil transaction, a deception or mistake relates to an intentional act of a party with the purpose of misleading the other party with regard to the identity of the parties, the nature of the subject matter, or the contents of the transaction.
- iv. The purpose and contents of the contract are contrary to law and social morality.
- v. The form of the contract does not adhere to the requirement that certain types of contracts, including insurance policies, be made in writing. Either party may file a request with the court not to declare such contract void if one or both parties have completed at least two-thirds of their contractual obligations, and if non-adherence of the contract is limited to the required form, notarization or certification of the contract.

The statute of limitations restricting the time during which parties may request that the court declare a civil contract void is two years. The starting date of this two-year period varies depending on why a civil contract is to be declared void. If the parties fail to request a court to declare a civil contract void within the appropriate two-year period, the civil contract will continue to be binding. However, if any contract is illegal, cruelly immoral, or is falsely made, the court can declare it void at any time. No statute of limitations applies under such circumstances.

C. Disclosure Obligations

The insurance buyer must disclose all information related to the insured object or person, as requested by the insurance enterprise.⁴³ If the beneficiary intentionally withholds information or provides false information to the insurer in order to receive an indemnity or insurance payment, the insurer may unilaterally terminate the contract. In such case, the insurer need not pay an indemnity nor make an insurance payment but must reimburse the insurance fees to the insurance buyer minus any reasonable fees in accordance with the insurance policy. The insurance buyer will have to indemnify the insurer for any damages caused by withholding information or by its failure to disclose information.⁴⁴

Similarly, where an insurer intentionally provides untruthful information or fails to provide information to a buyer in order to persuade it to enter into an insurance policy, the buyer may unilaterally suspend performance of the contract. The insurer must reimburse the buyer all of the paid insurance premiums and compensate the buyer for any damage caused.⁴⁵

D. Changes in insured risks⁴⁶

If there are changes in the factors that are used to calculate insurance premiums, which changes result in a decrease in the insured risks, the insurance buyer may request the insurer to (i) decrease the insurance premiums, (ii) increase the insurance amount for the remainder of the insurance policy, (iii) increase the term of the insurance policy or (iv) increase the scope of the insurance coverage for the remainder of the insurance policy. And vice versa, if there are changes in the factors that are used to calculate insurance premiums which results in an increase in the insured risks, the insurer may request to (i) increase the insurance premiums, (ii) decrease the insurance amount for the remainder of the insurance policy, (iii)

⁴³ LOIB arts. 21.2, 22.1.

⁴⁴ LOIB art. 22.2.

⁴⁵ LOIB art. 22.3.

⁴⁶ LOIB art. 23.

decrease the term of the insurance policy or (iv) decrease the scope of the insurance coverage for the remainder of the insurance policy.⁴⁷ If either party does not accept any such request of the other party, it can unilaterally terminate the performance of the insurance policy but must immediately notify the other party in writing.

E. Prevention of Loss

The insurer has the right to request, and the insurance buyer has the obligation to take appropriate measures to prevent and mitigate loss while immediately notifying the insurer of the occurrence of insured events.⁴⁸ Furthermore, the insurance enterprise is responsible to implement measures to prevent and control losses, including:⁴⁹

- Provide training on insurance business policies;
- Provide funding for facilities and equipment to help prevent loss;
- Construct works or infrastructure to prevent and mitigate loss; and
- Engage other organizations or individuals to supervise the prevention of loss.

The costs incurred in implementing the above measures are included in the insurance enterprise's operating expenses and may not exceed 2% of the premiums collected in the relevant fiscal year.⁵⁰

F. Termination

An insurance policy may terminate for the following reasons, and with the following legal consequences:⁵¹

1. The Civil Code provides for termination under its general rules on civil contracts. If the contract terminates under the rules of the Civil Code, the legal consequences of termination occur as provided by the Civil Code.⁵²
2. If an insurance policy is terminated because either the insurer or the insurance buyer refuses the other party's request in the event of changes in the insured risks as discussed in Section D above, the insurer must reimburse the buyer the amount of fees paid for the remainder of the insurance policy. The insurer remains liable to indemnify the insured if an insured event occurs before the termination of the insurance policy.
3. If the insurance buyer fails to make full or timely payment of insurance premiums, the insurer may unilaterally terminate the insurance policy. The buyer must still make full payment of any premiums due as of the date on which the contract terminates. For life insurance policies and health insurance policies, the insurer must indemnify the insured if an insured event occurs before the termination of the insurance policy and may deduct the outstanding insurance premium due by the termination of the insurance policy. For property insurance policies, damage liability insurance policies and liability insurance policies, insurer

⁴⁷ LOIB art. 23

⁴⁸ LOIB art. 20.1(dd), art. 21.2(e) and art. 122(2).

⁴⁹ LOIB art. 122(3).

⁵⁰ Decree 46/2023 art. 50(2) and art. 50(3)(l).

⁵¹ LOIB arts. 26-27.

⁵² Civil Code art. 422.

is still liable to indemnify the insured if an insured event occurs before the termination of the insurance policy but the insurer can only deduct the outstanding insurance premium subject to the terms of the insurance policy.

4. If the insured fails to implement measures to prevent and mitigate loss in accordance with Article 55 of the LOIB, the insurer may unilaterally terminate the insurance policy. The insurer must reimburse the insurance buyer the amount of fees paid for the remainder of the term. The insurer remains liable to indemnify the insured if an insured event occurs before the termination of the insurance policy.

5. If the insurance buyer refuses to transfer the portfolio of insurance policies to another insurer in the events described in Article 92 of the LOIB, the insurer may unilaterally terminate the insurance policies. The insurance buyer is entitled to receive reimbursement or insurance premiums for the remainder of the term of the policies, subject to the terms and conditions of each policy.

F. Subrogation

The LOIB permits subrogation except in the case of life insurance and health insurance.⁵³ After paying the insurance proceeds to the insured, the insurer has the right to claim compensation from responsible third parties for the amount it has paid out to the insured. The insured must provide the insurer with all of the necessary information and evidence so that the insurer can exercise its legal right of subrogation.

The LOIB does not address the insurer's right of refusal, but it does note that if the insured refuses to provide the insurer with the right of subrogation, the insurer may reduce the indemnity payable to the insured, depending on the fault of the insured.⁵⁴

III. Types of Insurance

The LOIB categorizes insurance as life insurance, health insurance, and non-life insurance.⁵⁵ Non-life insurance includes property insurance, damage liability insurance and liability insurance.⁵⁶

The various kinds of insurance in these categories can also be characterized as compulsory or non-compulsory. Compulsory insurance is a kind of insurance for which the law sets the policy terms, premiums and minimum insurance sum.⁵⁷ It includes motor vehicle liability insurance, fire and explosion insurance, compulsory insurance in the investment and construction sectors, and other compulsory insurance provided by the law, such as professional liability insurance for legal consultants and insurance brokerages.⁵⁸

⁵³ LOIB art. 16.4.

⁵⁴ LOIB art. 54(1)(b).

⁵⁵ LOIB art. 7.

⁵⁶ LOIB art. 15.

⁵⁷ Circular 67/2023 promulgates the specific regulations on policy terms, premiums and minimum insurance sum of the compulsory insurance.

⁵⁸ LOIB art. 8.

A. Life Insurance and Health Insurance

The market for life insurance continues to grow in both number of participants and premium volume and revenue. Both domestic and foreign invested insurance enterprises offer life insurance products.

Life insurance is an insurance product that covers the life and life expectancy of a person. Health insurance is defined as an insurance product that covers the health of a person.⁵⁹

Life insurance includes whole life insurance, term life insurance, combined insurance, annuities, investment-linked insurance, unit-linked insurance, and retirement insurance⁶⁰. Non-life insurance covers property insurance; cargo insurance; aviation insurance; automobile insurance; fire and explosion insurance; vessel hull and vessel owners' civil liability insurance; liability insurance; credit and financial risk insurance; agricultural insurance; guarantee insurance and insurance for other damages.⁶¹ Health insurance includes health insurance, body insurance, and medical expense insurance.⁶²

The LOIB provides that an insurance buyer may buy life and/or health insurance for the following persons:⁶³

- The insurance buyer herself;
- Wife, husband, mother, father or children of the insurance buyer;
- Biological siblings or any other persons who are in a care/support relationship with the insurance buyer;
- Persons having financial interests or employment relationship with the insurance buyer; or
- A person who agrees in writing for the insurance buyer to buy health insurance for such person.

Under the LOIB, for any insurance policy with a term of one year or more, the insurance buyer has 21 days after receiving the insurance policy to refuse to participate in such insurance policy.⁶⁴ Additionally, an insurer is required to provide an insurance buyer with temporary insurance coverage upon receipt of an insurance request and advance premiums from the insurance buyer. The temporary insurance will expire after the insurer agrees or refuses to provide insurance to the insurance buyer or as otherwise agreed by the buyer and the insurer.⁶⁵

The LOIB also provides for a group insurance policy, in which an insurance buyer engages an insurer to provide insurance for a group of people under the same insurance policy.⁶⁶ The group covered under the insurance policy must be a group not formed for the specific purpose of participating in such insurance (for example, the employees of a company).

⁵⁹ LOIB art. 33.

⁶⁰ Decree 46/2023 art. 3.

⁶¹ Decree 46/2023 art. 4.

⁶² Decree 46/2023 art. 5.

⁶³ LOIB art. 34.

⁶⁴ LOIB art. 35.

⁶⁵ LOIB art. 36.

⁶⁶ LOIB art. 42.

B. Property Insurance and Damage Insurance

Property insurance is defined to be an insurance product that covers property as provided in the Civil Code, which includes objects, money, valuable documents and property rights. Property can be movable or immovable property and can be existing or off-plan.⁶⁷ An insurance buyer may only buy property insurance when such insurance buyer has ownership or other rights to the property or rights to possess and use, in case of non-owner.⁶⁸

Damage liability insurance is defined to be an insurance product that covers any loss to economic benefits or contractual obligations or legal obligations that the insured has.⁶⁹ Insurable interest under damage liability insurance can be financial benefits, financial obligations or responsibilities or economic loss to the insured subject matter.⁷⁰

Generally, the value of insurance will be equal to the market value of the insured property or the insured economic benefits or contractual or legal obligations. However, the LOIB also provides for the circumstances in which the value of insurance is less or more than the market value of the insured subject at the time of execution of the insurance policy.

The insured must not abandon the insured subject and must implement the necessary measures to prevent or mitigate the loss, except as otherwise provided by the law or agreed by the parties. The insurer will have the right to examine such measures or to recommend or request the insured to implement additional measures.

C. Liability Insurance

Liability insurance is defined to be an insurance product that covers the civil liability of the insured towards a third party.

The responsibilities of the insurer only arise when a third party requests the insured to compensate for an act against the third party during the term of the policy.⁷¹ The third party is not entitled to make such request directly to the insurer. However, the insurer is permitted to represent the insured to negotiate with the third party in relation to the payment, unless otherwise provided in the insurance policy.⁷²

D. Vehicle Insurance

Vehicle liability insurance is compulsory, and driving a vehicle without a valid insurance certificate can result in both a fine and temporary revocation of the vehicle title by the police. Vehicle insurance, governed by Decree 67/2023/ND-CP⁷³ dated September 6, 2023 (“**Decree 67/2023**”), as amended by Decree 105/2025/ND-CP dated May 5, 2025, covers loss of and

⁶⁷ Civil Code art. 105.

⁶⁸ LOIB art. 44.

⁶⁹ LOIB art. 43.

⁷⁰ LOIB art. 44.

⁷¹ LOIB art. 58.

⁷² LOIB art. 60.

⁷³ Decree 67/2023/ND-CP dated September 6, 2023 on compulsory civil liability insurance of motor vehicle owners, compulsory fire and explosion insurance and compulsory insurance for construction investment activities.

damage to the vehicle, and legal liability to third parties for bodily injury and property damage. Because vehicle insurance is compulsory, the policy must adhere to the terms and premium rates fixed by the MOF.

E. Marine Insurance

The LOIB applies to all types of insurance; however, with regard to marine insurance policies, the section of the Maritime Law governing marine insurance policies also applies.⁷⁴ The Maritime Law covers insurance policies for maritime perils, which mean perils incidental to navigation at sea.⁷⁵ Marine insurance covers losses where the insured object is a material interest measurable in money, including hull, cargo, freight, ship chartering or purchasing costs, anticipated cargo benefits, builder's risk, commission, general average sacrifice, liability to third parties, and liens secured by cargo. If the peril covered by the policy has already occurred, or if the possibility of its occurrence does not actually exist, the marine insurance policy is automatically invalidated.⁷⁶ The insurer then retains the right to the premiums, and need not indemnify unless it has been made known to the insurer that the peril has already occurred or the possibility of its occurrence does not exist before the insurance policy is signed.

The Maritime Law recognizes two parties to an insurance policy: the insurer and the insurance buyer, who pays the premiums and must provide information relating to the insured object or person. The insurance policy may be entered into between the insurer and the insurance buyer for the benefit of a third party, who is entitled to request that the insurance policy be issued in its name. On receiving the policy, the third party has all the rights provided for in the policy. In addition, from that time, all the obligations of the insured are passed to the third party, except for the obligation to pay the premiums. If the third party is not aware of the policy, no obligations will arise. The Maritime Law does not state which party has the right to terminate such an insurance policy. However, under the Civil Code provisions on general civil contracts, the parties cannot amend or cancel a contract for the benefit of a third party unless the third party gives consent.⁷⁷ Regulations on marine insurance do not specify the circumstances under which a contract is void or voidable. Therefore, the Civil Code's default rules on civil contracts apply.

F. Fire and Explosion Insurance

Investors prioritize ways to safeguard their investments. Decree 67/2023, specifically Chapter II, replaced all previous regulations on compulsory fire and explosion insurance. Accordingly, certain businesses must purchase fire and explosion insurance from an insurer permitted to conduct business in Vietnam.⁷⁸ Decree 67/2023 describes categories of assets that must be covered by such policy, including housing and buildings, equipment and machinery attached to business operations, and all other goods and assets that can be given a monetary value.⁷⁹ The minimum insured sum protected by the policy must be the total market

⁷⁴ LOIB art. 12.3; Maritime Law arts. 303-336.

⁷⁵ Maritime Law art. 303.

⁷⁶ Maritime Law art. 309.

⁷⁷ Civil Code art. 415

⁷⁸ Decree 67/2023 art. 2(2) and art 4(1).

⁷⁹ Decree 67/2023 art. 23(1).

value or the duration of storage of the assets.⁸⁰ An insurer has the right to refuse to sell a policy to a buyer in certain circumstances.⁸¹

Decree 23/2018 also lists circumstances in which the insurer is not obligated to indemnify the insured.⁸² For example, if the loss or damage originates from a deliberate breach of the regulations on fire prevention or from fire or explosion caused by criminal conduct, the insurance enterprise need not pay. Certain kinds of assets are also excluded from coverage, including loss or damage caused to computer databases and programs, precious metals, manuscripts, drawings and design data. Decree 67/2023 does not have any provision for the possibility of avoiding the statutory exclusion by specifically including these items in the insurance policy, or by negotiating an additional insurance policy to cover the excluded items.

G. Professional Liability Insurance

Professional liability insurance is mandatory for certain professions, such as for firms and individuals that provide legal, medical, and architectural services. Insurance brokerage enterprises must also purchase professional liability insurance.⁸³

The Law on Notarization, which took effect on July 1, 2025, provides that notary offices must buy professional liability insurance for their notaries.⁸⁴ Similarly, Article 40 of the Law on Lawyers 2007 requires that law firms have professional liability insurance for their lawyers.

H. Investment Linked Insurance

Universal life insurance

Decree 46/2023 and Circular 67/2023 permit insurance enterprises to provide universal life insurance products.⁸⁵ These products include an insurance component and an investment component.⁸⁶ Buyers enjoy some flexibility in selecting a premium. The account value of the universal life insurance policy is formed from the fee that is invested in the universal life fund and other benefits as agreed in the insurance policy.

The Circular sets further conditions for an insurance enterprise that wishes to provide universal life insurance. The insurer must commit the minimum investment interest rate in the universal life insurance policy. In case the investment interest rate of the universal life fund is lower than the committed minimum interest rate, the insurer shall use the assets of the owner's fund to cover the difference between the actual interest rate earned on the investment, of each universal life account, and the minimum interest rate.⁸⁷ The Circular has very specific requirements regarding the documentation that an insurance enterprise must provide

⁸⁰ Decree 67/2023 art. 24(1).

⁸¹ Decree 67/2023 art. 4(5)(b).

⁸² Decree 67/2023 art. 25(2).

⁸³ LOIB art. 92.

⁸⁴ Law on Notarization 2024 art. 39.

⁸⁵ Decree 46/2023 art. 3.6, Circular 67/2023 art. 11.3.

⁸⁶ Decree 46/2023 art. 103.

⁸⁷ Decree 46/2023 art. 103.3

their prospective customers.⁸⁸ This includes a requirement that certain documents must be posted on the firm's website. The firm must also provide information regarding its investment policy and objectives, and must explain the benefits, risks, and charges. Sales illustrations materials must have the policyholder's confirmation that they have been fully consulted and clearly understand the contents of the sales illustrations materials.

Finally, the insurance enterprise must provide an annual report to the buyer that summarizes the status of the insurance policy as well as the results of the universal life fund, including details of investment benefits that have accrued to the buyers.⁸⁹

Unit-linked insurance

Similar to universal life insurance, unit-linked insurance products are governed under Decree 46/2023 and Circular 67/2023; “unit-linked insurance” means a life insurance product that requires the establishment of unit-linked funds.⁹⁰ A unit-linked fund is formed from insurance fees paid by buyers for unit-linked insurance policies.⁹¹ Insurance enterprises enter into unit-linked insurance to cover their risks in relation to the insurance premiums and to invest their capital.

There are caps on the amount a fund may invest in certain types of investment. A unit-linked fund may invest in Government debt instruments with no restriction. It may invest up to 100% of the total asset value of the unit-linked fund in actively traded securities of issuers. It may invest up to 10% of the total value of the actively traded securities of that organization and up to 20% of the total asset value of the unit-linked fund in actively traded securities of an issuer, and no more than 30 percent of its total asset value in a group of companies with mutual ownership.

A unit-linked fund is not permitted to invest in the securities of securities investment companies established and operating in Vietnam. The assets of unit-linked funds are not permitted to invest directly in real estate, gold, silver, other precious metals, or precious stones⁹².

An insurance enterprise must set up at least two unit-linked funds with different investment goals for each unit-linked investment product it offers.⁹³ Before the first unit-linked insurance policy is signed, the insurer must use part of the owner's fund to form the unit-linked fund's assets in accordance with the investment policy, investment objectives, and investment limits of each unit-linked fund, and must ensure that the value of each unit-linked fund is not less than VND 50,000,000,000.⁹⁴

⁸⁸ Circular 67/2023 arts 29, 31 and 32.

⁸⁹ Circular 67/2023 art. 32.4.

⁹⁰ Decree 46/2023 art. 105.

⁹¹ Decree 46/2023 art. 105.

⁹² Decree 46/2023 art. 108

⁹³ Decree 46/2023 art. 106.1.

⁹⁴ Decree 46/2023 art. 106.3.

IV. Operations and Structures

A. Corporate Forms in Vietnam

Joint-stock Insurance Company

A joint-stock company is a limited-liability entity, privately capitalized and owned by at least three shareholders. A joint-stock company is entitled to issue securities to raise capital, including common and preferred shares and bonds, and there is no minimum or maximum condition for equity contribution by any shareholder, regardless of nationality.

Limited Liability Insurance Company

There are two types of limited-liability company:

1. A one-member limited-liability company for a single investor; and
2. A two-to-50 member limited-liability company for several investors (“LLC”).

An LLC is established and owned by individuals and entities, either foreign or domestic. It is a legal entity separate from the investors; the investors are liable for the debts of the LLC up to the value of the LLC’s charter capital.

B. Conditions for establishment and licensing

In order to operate in Vietnam, all insurance businesses must first meet certain conditions and requirements regarding members/shareholders, requirements on capital and establishment of reserve funds.⁹⁵ Moreover, an insurance enterprise is only permitted to provide one of the three insurance products: life insurance, health insurance or non-life insurance, except in the following circumstances:

- A life insurance enterprise is permitted to provide health insurance;
- A non-life insurance enterprise is permitted to provide health insurance with a term of less than 1 year and life insurance with a term of less than 1 year; and
- A health insurance enterprise is permitted to provide life insurance with a term of less than 1 year.

1. Conditions to establish an insurance enterprise in Vietnam

Shareholders and members of an insurance enterprise in Vietnam must satisfy the following conditions:⁹⁶

- a. The shareholder or the member must not fall within the list of individuals and entities, which are not permitted to establish or manage an enterprise in Vietnam, as provided in Article 17 of the Law on Enterprise⁹⁷;

⁹⁵ LOIB art. 64

⁹⁶ LOIB art. 64

⁹⁷ Law on Enterprise No. 59/2020/QH14 adopted by the National Assembly on June 17, 2020, as amended from time to time.

- b. If an entity wishes to become a member or a shareholder of an insurance enterprise, it must have full legal capacity and must be legally operating; if the entity wishes to contribute at least 10% of the capital of the insurance enterprise, the entity must be profitable for 3 consecutive financial years preceding the application for establishment of the insurance enterprise and meet additional financial requirements;
- c. If an existing insurance enterprise or reinsurance enterprise wishes to become a member or a shareholder of an insurance enterprise, it must be profitable for 3 consecutive financial years preceding the application for establishment of the new insurance enterprise and it must meet the capital adequacy ratio as set out in the LOIB

A foreign entity that wishes to become a founding shareholder/member of an insurance enterprise in Vietnam must satisfy the following additional requirements:⁹⁸

- a. The foreign entity must be an insurance enterprise, reinsurance enterprise, financial group or insurance group;
- b. The foreign entity must be confirmed by a competent authority that for at least 3 years prior to its application to establish an insurance enterprise, it has not materially violated any insurance regulations of the country in which the foreign entity has its headquarters;
- c. The intended field of business for the new insurance enterprise is the field that the foreign entity has been doing business in for the latest 7 years;
- d. Total assets value of the foreign entity must be at least 2 billion US Dollars for the year preceding the year in which the application to establish the insurance enterprise is filed;
- e. The foreign entity must commit to support the insurance enterprise in terms of finance, technology, corporate management, risk administration, management and other activities and ensure that the insurance enterprise complies with requirements on financial safety and risk administration in accordance with the LOIB;
- f. The foreign entity satisfying point b, c, d and e above can authorize a subsidiary, that is specialized in investment to establish the insurance enterprise in Vietnam. The subsidiary must satisfy point d above.

A Vietnamese entity that wishes to become a founding shareholder/member of an insurance enterprise in Vietnam must have total assets of at least 2,000 billion VND for the year preceding the application to establish the insurance enterprise.

An entity, that wishes to contribute more than 10% of the charter capital of an insurance enterprise or reinsurance enterprise in Vietnam must satisfy the following additional requirements:

- a. An entity that is subject to a legal obligation to maintain a minimum legal capital or charter capital must ensure that after its contribution of charter capital of the insurance enterprise or reinsurance enterprise in Vietnam, it continues to satisfy such requirement;
- b. An entity that is established in accordance with the Law on Financial

⁹⁸ LOIB art. 65.

- Institutions⁹⁹, the LOIB or the Law on Securities¹⁰⁰ must continue to maintain and satisfy requirements on financial safety and be approved by a competent authority to contribute capital into the insurance enterprise; and
- c. Financial statements for the 3 years preceding the application to establish the insurance enterprise must be audited and approved.

2. Licensing

If an organization meets these requirements, it may submit an application to obtain an establishment and operation license. The basic dossier must contain, among other things: the application forms; a draft charter; a list of founding shareholders (both entities and individuals) holding 10% or more of the charter capital together with all related required documents; certification by a bank in Vietnam that the charter capital has been placed in an escrow account at the bank; a five-year business plan that describes the proposed scope of business, investment capital, economic benefits of the establishment of the enterprise, operational processes, internal supervisory systems, and a risk management process; a list of managerial personnel and descriptions of their professional qualifications; contributed capital amounts and disclosure of those entities or individuals holding 10% or more of the charter capital; rules, policy terms, premium tariffs, and commissions on insurance products; meeting minutes of shareholders agreeing to the draft charter and to establish the insurance business; authorization for an individual or an entity to complete all necessary legal procedures; approval from the relevant authorized government authority as required by the law.¹⁰¹ Depending on the type of insurance business, there are other documents that may have to be included.

Within 30 days from the date the MOF receives the application, if the MOF deems that the application is incomplete, the MOF shall request, in writing, the insurance enterprise to supplement/adjust the application. Within 60 days from the date the MOF receives a complete application, the MOF may (i) grant the license to the insurance enterprise or (ii) refuse to grant the license to the insurance enterprise, in case of refusal, the MOF will issue a letter of explanation.

Within twelve (12) months from the date it receives its license, an insurance enterprise must complete certain post-licensing procedures. It must release the capital in the escrow account into charter capital, register its seal, tax code, open a bank account as required by law, file a report with the MOF on its plan to create the required operational reserves, and adopt internal regulations on supervision, compensation, internal control, financial management, investment and reinsurance management, as necessary. If it fails to start operations within 12 months, its license will be revoked.¹⁰² The insurance enterprise may apply for an extension of twelve (12) months to start operations, subject to written approval of the MOF.

⁹⁹ Law on Financial Institutions No. 32/2024/QH15 adopted by the National Assembly on January 18, 2024, and its guiding documents.

¹⁰⁰ Law on Securities No. 54/2019/QH14 adopted by the National Assembly on November 26, 2019, as amended from time to time.

¹⁰¹ LOIB art. 69

¹⁰² LOIB art. 73

3. Management

Managerial personnel of an insurance enterprise must meet the following requirements:¹⁰³

- Able to fulfill managerial positions in accordance with the Law on Enterprise.¹⁰⁴
- For three consecutive years prior to the date of appointment:
 - Not have been subject to any administrative penalties which have resulted in suspension from the appointed managerial position in the respective insurance enterprise.
 - Not have been subject to any disciplinary action for violation of any internal procedures which have resulted in suspension or termination of employment.
- Not be directly involved in any investigations or legal proceedings at the moment of appointment.

Moreover, there are specific requirements for each managerial position. These requirements are qualifications that include a university degree or higher; insurance training that require qualifications or a certificate from an accredited insurance training institution working legally in Vietnam or abroad; experience of at least three to five years, depending on the position; and residence, which requires the person to reside in Vietnam while incumbent. Appointment or change to the positions of Chairman of the Board of Management, General Director and Appointed Actuaries must be approved by the MOF.¹⁰⁵

Additionally, there are requirements under the LOIB that certain managerial positions within the same insurance enterprise are not permitted to be held by the same person. The LOIB also provides that a person holding certain managerial positions in an insurance enterprise is not permitted to hold certain managerial positions in another insurance enterprise providing a similar type of insurance. Violations of these requirements may be subject to suspension by the MOF. If a managerial person is suspended, the insurance enterprise must appoint a new person for that position within 75 days from the date of suspension.¹⁰⁶

4. Internal Control, Internal Audit and Risk Management

An insurance enterprise is required to establish internal controls¹⁰⁷, have an internal audit department¹⁰⁸ and create a risk management system¹⁰⁹.

It is also required to establish internal processes and procedures, which must be strictly complied with by its management personnel, controllers and employees. Internal controls of an insurance enterprise must be assessed annually by the internal audit department.

An internal audit department is required. The purpose of this department is to:

- Independently and objectively review and assess internal control and risk management activities;

¹⁰³ LOIB art. 81

¹⁰⁴ Law on Enterprise No. 59/2020/QH14 dated June 17, 2020

¹⁰⁵ LOIB art. 74.1

¹⁰⁶ LOIB art. 83

¹⁰⁷ LOIB art. 84

¹⁰⁸ LOIB art. 85

¹⁰⁹ LOIB art. 86

- Independently review the suitability and compliance of the internal rules and regulations, processes and procedures;
- Recommend adjustments to improve or enhance the internal rules and regulations, processes and procedures to ensure safety, effectiveness and compliance with Vietnamese law. The internal audit department must prepare and submit an annual report to the Board of Directors, Board of Members and the General Director.

Article 86 of the LOIB requires an insurance enterprise to establish a risk management system, which must satisfy certain legal requirements. Annually, an insurance enterprise must prepare a report on the solvency and risk management following Circular 70/2022/TT-BTC.¹¹⁰

5. Capital

The enterprise must comply with capital contribution requirements by providing information on the capital contribution of each shareholder, who is an entity or an individual with a share of more than 10%.

The charter capital of an insurance enterprise is the amount contributed or committed to be contributed by its members or shareholders.¹¹¹ The paid-up charter capital must be sufficient to match its range of operation, business plan, and location.

Article 35 of Decree 46/2023 sets the minimum legal capital for each type of insurance enterprises, as follows:

Insurance Company:

Non-life insurance

- excluding airline insurance and satellite insurance: VND 400,000,000,000
- including either airline insurance or satellite insurance: VND 450,000,000,000
- including both airline and satellite insurance: VND 500,000,000,000

Life insurance

- excluding unit-linked insurance or retirement insurance: VND 750,000,000,000
- including either unit-linked insurance or retirement insurance: VND 1,000,000,000,000
- including both unit-linked insurance and retirement insurance: VND 1,300,000,000,000

Health insurance: VND 400,000,000,000

Reinsurance:

- Reinsurance, accepting non-life reinsurance cessions, or both non-life reinsurance and health reinsurance: VND 500,000,000,000;
- Reinsurance, accepting life reinsurance cessions, or both life reinsurance and health reinsurance: VND 900,000,000,000;

¹¹⁰ Circular 70/2022/TT-BTC dated November 16, 2022 on risk management, internal control and internal audit of insurance enterprises, reinsurance enterprises, branches of non-life foreign insurance enterprises and branches of foreign reinsurance enterprises.

¹¹¹ LOIB art. 94.1.

- Reinsurance, including accepting reinsurance cessions in all three categories: life reinsurance, non-life reinsurance, and health reinsurance: VND 1,400,000,000,000.

Branch of Foreign Non-life Insurance Enterprise:

Non-life insurance:

- excluding airline insurance and satellite insurance: VND 250,000,000,000
- including either airline insurance or satellite insurance: VND 300,000,000,000
- including both airline insurance and satellite insurance: VND 400,000,000,000

Branch of Foreign Reinsurance Enterprise

- Reinsurance, accepting non-life reinsurance cessions, or both non-life reinsurance and health reinsurance: VND 400,000,000,000;
- Reinsurance, accepting life reinsurance cessions, or both life reinsurance and health reinsurance: VND 450,000,000,000;
- Reinsurance, including accepting reinsurance cessions in all three categories: life reinsurance, non-life reinsurance, and health reinsurance: VND 700,000,000,000.

Insurance Brokerage company:

- Insurance Brokerage or reinsurance brokerage: VND 5,000,000,000
- Insurance Brokerage and reinsurance brokerage: VND 10,000,000,000

The LOIB provides a concept of capital adequacy ratio, which is defined to be the ratio of available capital against risk-weighted assets.¹¹² An insurance enterprise must always maintain the capital adequacy ratio higher than that determined by the MOF. The MOF will provide further details regarding the capital adequacy ratio, risk-weighted assets and available capital.

6. Escrow Account and Reserves

The LOIB requires that an insurance enterprise open an escrow account at a local commercial bank. It must deposit two percent of the statutory legal capital.¹¹³ The insurance enterprise may draw the deposit to fulfill its commitments to insurance buyers if their solvency fails. Such use, however, must be approved in writing by the MOF. Within 90 days of drawing down the deposit, the insurance enterprise must replenish the escrow account.¹¹⁴

An insurance enterprise is also required to set aside an insurance operational reserve. It represents an amount of money covering pre-calculated insurance liabilities expected to arise from signed insurance policies.¹¹⁵ The reserve is charged against profits to cover projected claims and obligations. A reserve creates a reduction in the current profit. When obligations have actually been incurred and satisfied, the reserve can be reduced, thus removing a charge on current profit. On the balance sheet, the reserve appears as a liability. The amounts represented by each reserve can be invested. The required operational reserves are different

¹¹² LOIB art. 95

¹¹³ LOIB art. 96.1.

¹¹⁴ LOIB art. 96.3.

¹¹⁵ LOIB art. 97.

for non-life insurance and life insurance. The reserves may include: (1) unearned premium reserve, (2) indemnity reserve, (3) large-loss fluctuation reserve, (4) actuarial reserve or mathematical reserve, (5) interest-sharing reserve, (6) reserve to guarantee committed interest, and (7) balance reserve. For reinsurance enterprises, they must set up all operational reserves that are required for the respective insurance enterprise. Decree 46/2023 and Circular 67/2023 sets out detailed instructions on how to calculate and structure these reserves.

C. Sale of Insurance Products

For compulsory insurance products, the MOF publishes terms, premium scales, and minimum insurance amounts that an insurance enterprise must incorporate into its policies.¹¹⁶ An insurance enterprise may develop its own terms for non-compulsory insurance products. These independently developed terms do not require MOF's approval.

Once the insurance enterprise has finalized the terms and details of the policies it intends to sell, it may sell them by direct sale, by sale through agents and brokers, by auction, by electronic transactions, or by other legal channels.¹¹⁷ Sale of insurance through any channel must comply with the regulations relevant to that channel.

D. Capital Investment

Sources of investment capital of an insurance enterprise, reinsurance enterprise or a branch of a foreign insurance enterprise in Vietnam include its own equity and idle capital from operational reserves or other source of capital that may be otherwise provided in the law.¹¹⁸

Investments by insurance enterprises, reinsurance enterprises, and branches of foreign insurance enterprises must comply with certain principles, including the assurance of safety, liquidity, and compliance with legal regulations. Furthermore, operational reserves may only be used for domestic investments unless otherwise provided in the LOIB. These entities are also prohibited from borrowing for investment, investing in securities trusts or real estate, contributing capital to other businesses, or purchasing corporate bonds. They may not invest more than 30% of their total investment capital in companies within the same corporate group, except for savings at financial institutions or foreign establishment investments. Reinvestment in shareholders, stakeholders, or related persons is also prohibited, and fiduciary investments must be conducted through licensed trustees.

Certain investment activities are also not permitted.¹¹⁹ Insurance enterprises, reinsurance enterprises or branches of a foreign insurance enterprise must assess the value of its investment in accordance with MOF's regulations.

Offshore investments by insurance enterprises and reinsurance enterprises can only be made in the following forms:

- a. Establishment or capital contribution for the establishment, capital contribution,

¹¹⁶ LOIB art. 8.5.

¹¹⁷ LOIB art. 87.4.

¹¹⁸ LOIB art. 99

¹¹⁹ LOIB art. 99.3

- purchase of shares, purchase of capital of insurance enterprises, reinsurance enterprises in a foreign country; establishment of branches, representative offices and other commercial presence in a foreign country;
- b. Sales and purchase of securities, other valuable stocks or investments through securities investment funds and other intermediary financial institutions in a foreign country in accordance with Vietnamese laws.

Offshore investments by insurance enterprises and reinsurance enterprises must comply with the following principles:¹²⁰

- a. Investments must comply with regulations on insurance business, investments and foreign exchange management;
- b. Investments must ensure capital safety ratio and solvency of the insurance enterprise and reinsurance enterprise;
- c. Investments must be made under the name of the insurance enterprise or the reinsurance enterprise;
- d. Investments must be monitored and managed to separate investment capital, investment assets, revenue and expenses of such foreign investment activities;
- e. Insurance enterprises and reinsurance enterprises are not permitted to use money or assets of domestic insurance buyers to cover for the loss or lack of capital in foreign investment activities, unless otherwise permitted under the law;
- f. Foreign investment activities must be approved in writing by the MOF.

An insurance enterprise or reinsurance enterprise must meet the following requirements to be eligible to apply for an offshore investment license from the MOF:¹²¹

1. Must have been profitable for three consecutive years preceding the year of the application for an offshore investment license;
2. Must have its owners' equity as stated in its latest financial statements be equal to or higher than the minimum capital provided in Decree 46/2023;
3. Must meet requirements in relation to solvency margin in the most recent reporting period;
4. Must not have been fined more than 400 million VND during the 12 months prior to its application for an offshore indirect investment license;
5. Must have fulfilled all financial obligations to the Government and does not have any outstanding taxes;
6. Must have internal regulations, internal control, internal audit and analysis and administration of risks in relation to offshore indirect investment; and
7. Must be permitted to conduct offshore investment in accordance with the regulations on investment and foreign exchange management.

An application for an offshore investment must include the following documents:

1. Request for an offshore investment license;
2. Internal approval for the offshore investment;
3. Internal procedures on offshore investment, including internal control, internal audit, analysis and administration of risks in relation to offshore investment;

¹²⁰ LOIB art. 100.3.

¹²¹ Decree 135/2015 art. 14.

4. Presentation of the offshore investment, including details on the target country, investment purposes, investment forms, investment capital, scale, investment schedule, agreement or memorandum of understanding with partners;
5. Evidence that the insurance enterprise or reinsurance enterprise has met requirements provided in the LOIB; and
6. Confirmation from the tax authorities of the fulfillment of all financial obligations.

Within 30 days of the receipt of a complete dossier, the MOF will issue an offshore investment license. The MOF must provide a written explanation if the offshore investment license is refused. After completion of the implementation of the offshore investments, the insurance enterprise/reinsurance enterprise must notify the MOF.

E. Solvency and Financial Security

An insurance enterprise, reinsurance enterprise or a branch of a foreign insurance enterprise is considered to be solvent when it has established reserves as required by law and when it maintains its capital adequacy ratio. An insurance enterprise, reinsurance enterprise or a branch of a foreign insurance enterprise in Vietnam must maintain solvency at all times.

An insurance enterprise, reinsurance enterprise or a branch of a foreign insurance enterprise in Vietnam is considered to be financially secure if it meets all requirements on capital, solvency and investment. During its course of business, it must proactively review its procedures, rules, risk management systems, business plan, assess its insurance, reinsurance business activities, financial activities to ensure efficiency, safety and compliance as provided in the LOIB. Depending on the status of its financial security, improvement measures, early intervention measures or control measures can be applied.

If an insurance enterprise, reinsurance enterprise or a branch of a foreign insurance enterprise in Vietnam is subject to improvement measures, it must implement one of the following measures and report to the MOF in writing on its actual financial status, causes and the improvement measures it has applied:

- a. Increase of capital;
- b. Improvements in business efficiency by focusing on effective insurance products; review insurance premiums and insurance liability; restructure insurance programs; decrease operational expenses, management expenses; restrictions of payment of remuneration, salary and benefits of managerial positions;
- c. Restructure its investment portfolio;
- d. Strengthen risk management; reorganize managerial positions and other positions; decrease purchase of immovable assets; decrease the use of funds; and
- e. Other measures as provided by the law.

During implementation of these improvement measures, it is not permitted to transfer profits offshore, pay dividends nor increase in reinsurance.

If an insurance enterprise, reinsurance enterprise or a branch of a foreign insurance enterprise has its capital adequacy ratio at the level that requires implementation of early intervention measures or if it has applied improvement measures for 12 consecutive months without rectification of its capital adequacy ratio, the MOF will issue an official notice requesting the implementation of early intervention measures. Within 60 days, it must prepare a remedy

plan to rectify the capital adequacy ratio. The remedy plan can be implemented for 12 months. The MOF publishes a list of such enterprises that are subject to early intervention measures.

If it has its capital adequacy ratio at the level that requires implementation of control measures, the MOF shall issue an official notice to the owners, shareholders, members who own 10% of the entity, and the relevant foreign competent authority. Within 30 days of such notice, the entity must undertake an independent audit to assess its financial status. Within 120 days of the notice, it must submit to the MOF a plan to rectify the capital adequacy ratio. The plan can be implemented during 18 months. If after 18 months, the capital adequacy ratio has not been rectified, the MOF may decide to:

- Suspend certain or all activities;
- Require it to be divided, merged, split, acquired;
- Request the transfer of its insurance portfolio.

F. Reporting Requirements

The entities must comply with various reporting requirements. They must prepare and submit audited financial statements, statistical reports, and operational reports to the MOF.¹²² The financial statements must include balance sheets, profit and loss statements, and explanations of the financial statements. The statements must be submitted on a quarterly, semi-annual and annual basis.¹²³

The contents of the statistical and operations reports depend on whether the enterprise provides life insurance, health insurance, non-life insurance or reinsurance. A list of reports to be made by insurance enterprises, reinsurance enterprises and branches of foreign insurance enterprises in Vietnam and the corresponding forms are provided in Circular 67/2023.

G. Representative Office and Branch of Foreign Insurance Enterprises

Representative office of a foreign insurance enterprise

A foreign insurance company may open a resident representative office in Vietnam. A representative office is a unit of a foreign business enterprise established under Vietnamese law to research the market.¹²⁴

A representative office cannot transact business and is not regarded as a Vietnamese insurance enterprise. It may not receive payment for services or goods provided either in Vietnam or offshore. It may not generate revenue by providing goods or services.

In addition to performing market research, a representative office may act as a liaison, prepare investment projects for the foreign parent insurance enterprise, and promote and monitor implementation of those projects.¹²⁵

¹²² Circular 67/2023 Chapter VI.

¹²³ Circular 67/2023 art. 58.

¹²⁴ Commercial Law, article 3.

¹²⁵ LOIB art. 76.

Moreover, the chief representative of a representative office may sign contracts acting through a power of attorney from the offshore parent. The power of attorney, however, must clearly state that the chief representative acts on behalf of the parent and not the representative office. All of this should be done with caution as there may be tax implications.

A foreign insurance enterprise that wishes to establish a representative office must satisfy the following criteria: it must have been in operation in its home country for at least five years; and it must have a cooperative relationship with Vietnamese organizations and agencies.¹²⁶ It must file an application with the MOF to obtain a license to establish an RO in Vietnam ("RO License"). An RO of a foreign insurance enterprise can have a duration of 5 years, which is renewable. An RO of a foreign insurance enterprise can be terminated in certain circumstances as set out in Decree 43/2023.¹²⁷

Branch of a foreign insurance enterprise

A foreign non-life insurance enterprise or a foreign reinsurance enterprise (for the purpose of this section "foreign enterprise") is permitted to open a branch in Vietnam. The branch is a dependent unit of the foreign enterprise and is not considered a legal entity in Vietnam. The foreign enterprise will be responsible for all obligations and commitments of its branch in Vietnam.¹²⁸ To establish a branch in Vietnam, a foreign enterprise must:

1. have a head office located in a country with which Vietnam has a relevant agreement;
2. be approved to establish the branch in Vietnam by the competent authority in the country where its head office is located;
3. have minimum total assets of USD 2 billion during the latest financial year;
4. be profitable for the three consecutive years preceding the year of its application; and
5. commit to be responsible for all obligations and commitments of its branch in Vietnam.

The MOF licenses the branch.¹²⁹ Details on establishment, business operations, amendments required to be registered, the financial regime, and reporting obligations of the Insurance Branch are provided in Decree 46/2023. The branch is subject to a minimum legal capital requirement, which is mentioned in Section IV.B.5.

V. Reinsurance

Reinsurance occurs when an insurance enterprise, a reinsurance enterprise or a branch of a foreign enterprise in Vietnam receives reinsurance premiums of another insurance enterprise, reinsurance enterprise or branch of a foreign enterprise in Vietnam to commit to compensate for the insured liability.

An insurance enterprise, a reinsurance enterprise or a branch of a foreign enterprise in Vietnam may accept or cede part of the liability it has agreed to insure but cannot cede the entire liability. They must calculate the retention limit for each type of insurance and each

¹²⁶ LOIB art. 77.

¹²⁷ Decree 46/2023 art. 60

¹²⁸ LOIB art. 67

¹²⁹ Decree 46/2023 art. 14.

type of risk. Retention limit per risk or loss must not exceed 10% of owners' equity.¹³⁰

A reinsurance enterprise or an entity that engages in reinsurance activities must meet the legal capital requirement, which is mentioned in Table 1. A reinsurance enterprise or an entity that engages in reinsurance activities is also subject to separate reporting requirements as provided in Circular 67/2023.

VI. Services auxiliary to insurance

Services auxiliary to insurance refer to parts of the insurance business, including the following services:¹³¹

- Insurance consultancy: provision of consultancy services on insurance programs, insurance products, insurance risk management and prevention and reduction of losses and damages;
- Insurance risk assessment: identification, classification and assessment of the nature and extent of risks and the management of risk to people, property and the civil responsibility of the insured as a basis for insurance coverage;
- Actuarial analysis: the collection and analysis of statistical data; calculation of insurance premiums, professional reserves, capital and solvency margin; evaluation of business performance and determination of value in order to ensure the financial safety of the insurer;
- Insurance loss assessment: determination of the actual state, cause and level of loss and the calculation and allocation of liability for compensation;
- Claim settlement: assisting policyholders, the insured, beneficiaries or insurers in the process of settling an insurance claim.

An insurance enterprise, an insurance brokerage enterprise or a Foreign Insurance Branch is permitted to provide services auxiliary to insurance to other insurance enterprises, insurance brokerage enterprises, mutual support insurance organizations or Foreign Insurance Branches. A legal entity is permitted to provide services auxiliary to insurance, if the legal entity has employees who satisfy certain requirements¹³², including: (a) being a Vietnamese national who has full civil capacity, and either (i) a bachelor's degree in insurance or (ii) training from an institution accredited to train and certify insurance agents¹³³ and (b) a legal entity providing loss assessment and actuarial analysis are subject to additional requirements.¹³⁴

VII. Microinsurance

Microinsurance products are insurance products that are concise, easy to understand, have simplified actuarial procedures or require no actuarial service. Microinsurance only offers basic coverage against life, health and property risks of participants and lasts for less than 5 years. A microinsurance provider must apply and obtain approval from the MOF regarding the methods and basis for calculation of premiums of microinsurance products.

¹³⁰ Circular 67/2023 art. 33.

¹³¹ LOIB art. 4

¹³² LOIB art. 143

¹³³ LOIB art. 143.1(b)

¹³⁴ LOIB art. 143.1(c) and (d)

Microinsurance can be provided by insurance enterprises, Foreign Insurance Branches or mutual support insurance organizations. A mutual support insurance organization is only permitted to provide microinsurance for its members.¹³⁵

VIII. Agents and Brokers

A. Agents

An insurance agent offers and sells insurance, arranges or concludes insurance policies, and undertakes other activities related to the performance of an insurance policy. The agent must be authorized by insurance enterprises to carry out these activities on behalf of the enterprise.¹³⁶ The agent must be a Vietnamese national, must have full civil capacity, and must have received training from an institution accredited to train and certify insurance agents.¹³⁷ The agent must enter into an insurance agency agreement and act exclusively for only one insurance enterprise.¹³⁸

Insurance agents may not pressure customers to cancel valid insurance policies. They must provide clear and accurate disclosure and explanations of policy terms and obligations. They may not mislead customers or exert undue influence in their choice of insurance products. They must not conduct any wrongful activities such as making threats, paying bribes or enticing employees or customers of other insurance enterprises.¹³⁹

An insurance enterprise must provide its agents with all information necessary to enable them to provide appropriate services to buyers. They are also entitled to receive commissions.¹⁴⁰ By “commissions” we mean amounts paid by insurance enterprises directly to insurance agents in return for services they provide to the insurance enterprises. The Circular 124/2012 has schedules that provide the maximum rates of insurance commission, but they should be used as a reference only as the Circular has expired and has not yet been replaced.

Insurance enterprises may select agents with whom they wish to enter into agency contracts, and set their commission rates in those contracts. They may receive and manage deposits or assets that agents have mortgaged as security under the agency contract.

It is required that an agent have a practicing certificate issued by a training establishment approved by the MOF¹⁴¹. The MOF regulates the program, content and form of training required to obtain this certificate.

B. Brokers

A broker is an insurance brokerage enterprise that provides information on types of insurance, policy terms and premiums, and general information on insurance enterprises to its customers who wish to purchase insurance.¹⁴² The broker usually helps the insurance buyer

¹³⁵ LOIB art. 149.1

¹³⁶ LOIB art. 124

¹³⁷ LOIB art. 125.1

¹³⁸ LOIB art. 126

¹³⁹ LOIB art. 129

¹⁴⁰ LOIB art. 128

¹⁴¹ LOIB art. 130

¹⁴² LOIB art. 131.

assess risk management, select suitable insurance products, and negotiate and conclude insurance policies.¹⁴³ A broker works for and is paid by the insurance buyer, rather than an insurer.

To be licensed, an insurance brokerage enterprise must meet capital requirements established by the government, submit documents such as a draft charter and five-year business plan, and provide evidence that its executives and managers have appropriate qualifications.

The law allows foreign-invested enterprises to engage in the brokerage business. An insurance brokerage enterprise is entitled to receive brokerage fees. The fees may be included in the insurance premium.¹⁴⁴ The law requires the broker to provide honest services, and not to disclose or provide information that damages the insurance buyer's rights.

VIII. Conclusion

Competition will continue to encourage development of new insurance products. Firms may explore creative packaging of existing products. The industry has already seen the advent of new products that integrate insurance and investments, which appeal to consumers with rising personal incomes. An increased variety of insurance products will create new regulatory challenges.

Government regulations consistently demand disclosure and transparency, and, at the same time, prohibit anti-competitive practices. With the legal system becoming more and more transparent and the market becoming more and more competitive, it is essential that insurance enterprises, both domestic and foreign, must monitor their internal operations, as well as their industry, to maintain a certain set of standards in order to survive and thrive in the upcoming future.

¹⁴³ Circular 67/2023 art. 54.

¹⁴⁴ Circular 67/2023 art. 55.